

IPMA World Congress

Collaborative Contracting: Barriers to Adoption in the South African Construction Industry



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Background

Companies don't make purchases, they establish relationships

Charles S. Goodman

❖ Rapid Urbanisation

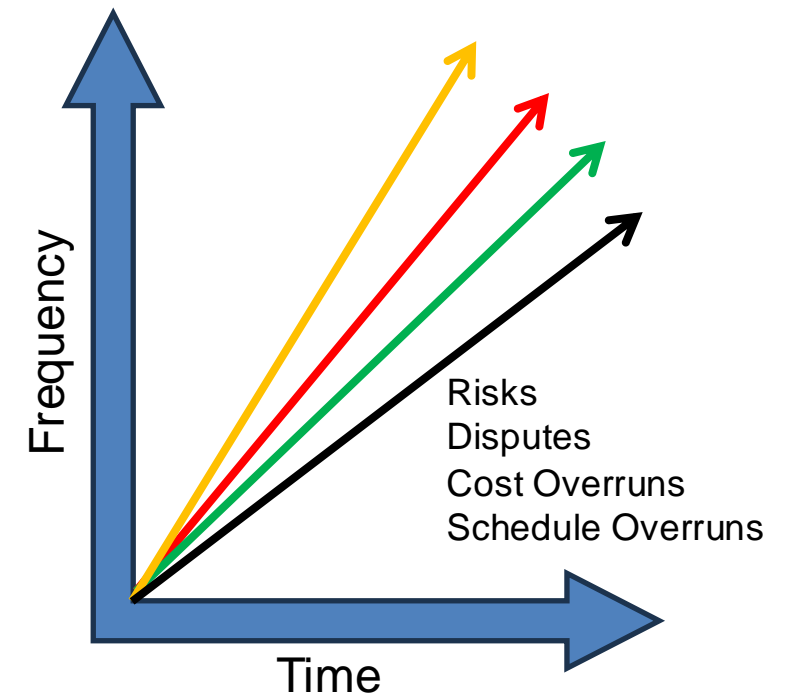
- Project Complexity
- Competition
- Legislation

❖ Traditional Approach to Contracting

- Fixed Price & Restrictive
- Adversarial & Fractious
- Limitations

❖ Empirical Studies

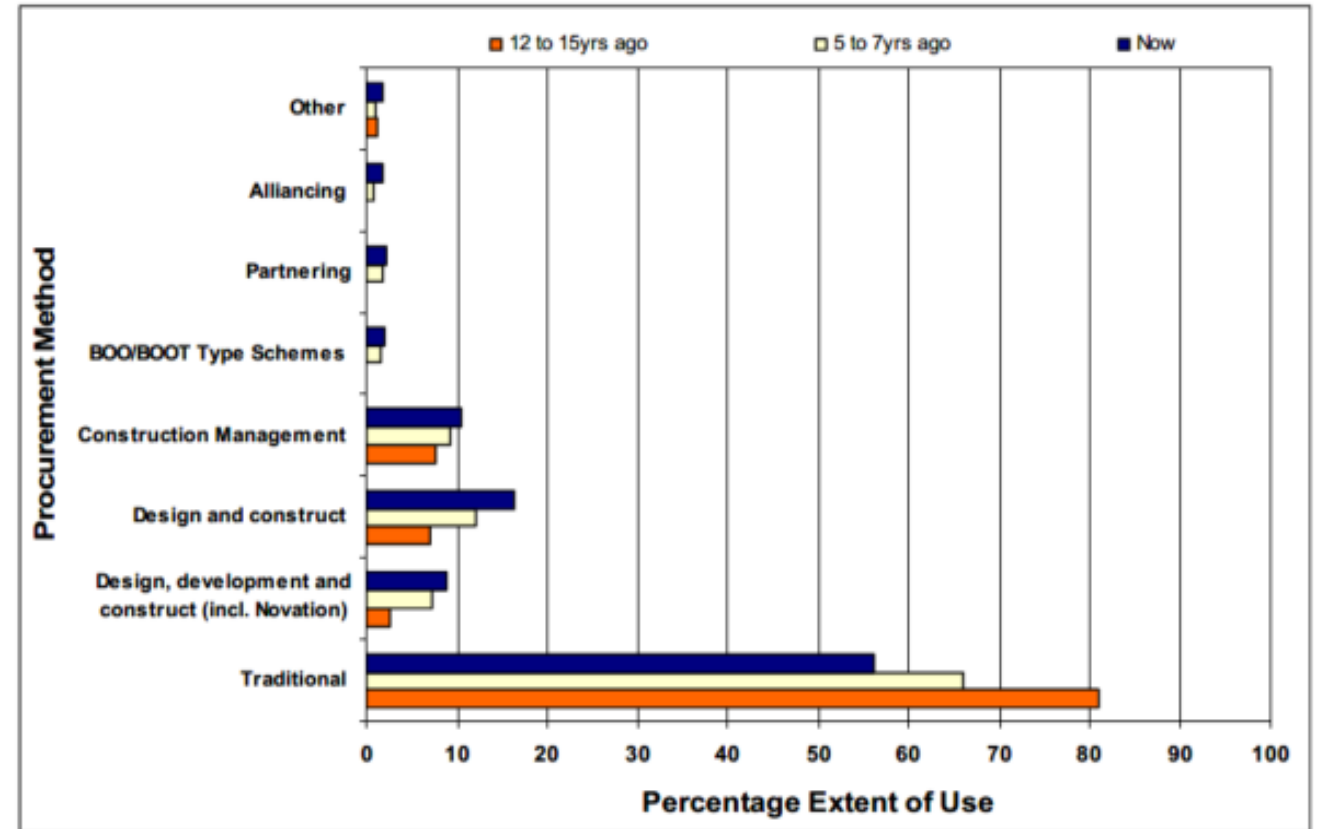
- Increase in Cost Overruns, Delays & Disputes



Collaborative Contracting

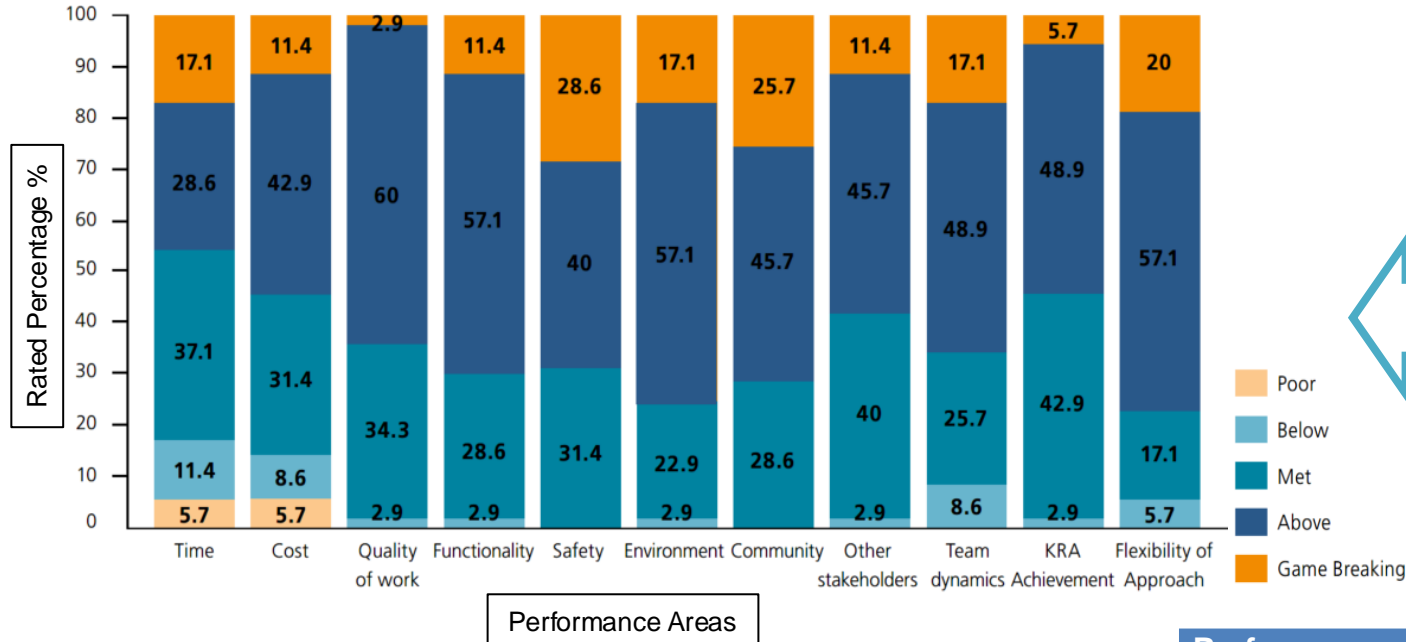
Differences Between Traditional Contracting (TC) and Collaborative Contracting (CC)

	Traditional Contracting	Collaborative Contracting
Risk	Risk allocated to either party	Risk is shared/mitigated in a collaborative manner
Cost	Lump sum and fixed and firm	Cost + fee & share of pain or gain, based on KPIs
Liability	Contractor or client carry full liability conditional on the risk	No blame approach - share of pain or gain
Time	Delay/LDs for delays. Project period confirmed in tender	Schedule created collaboratively
Decision Making	Matter dependant, made by either party	Joint decision making



The extent of overall use of contracting methods (Tilley, 2005)

Collaborative Contracting Success



Alliancing Success

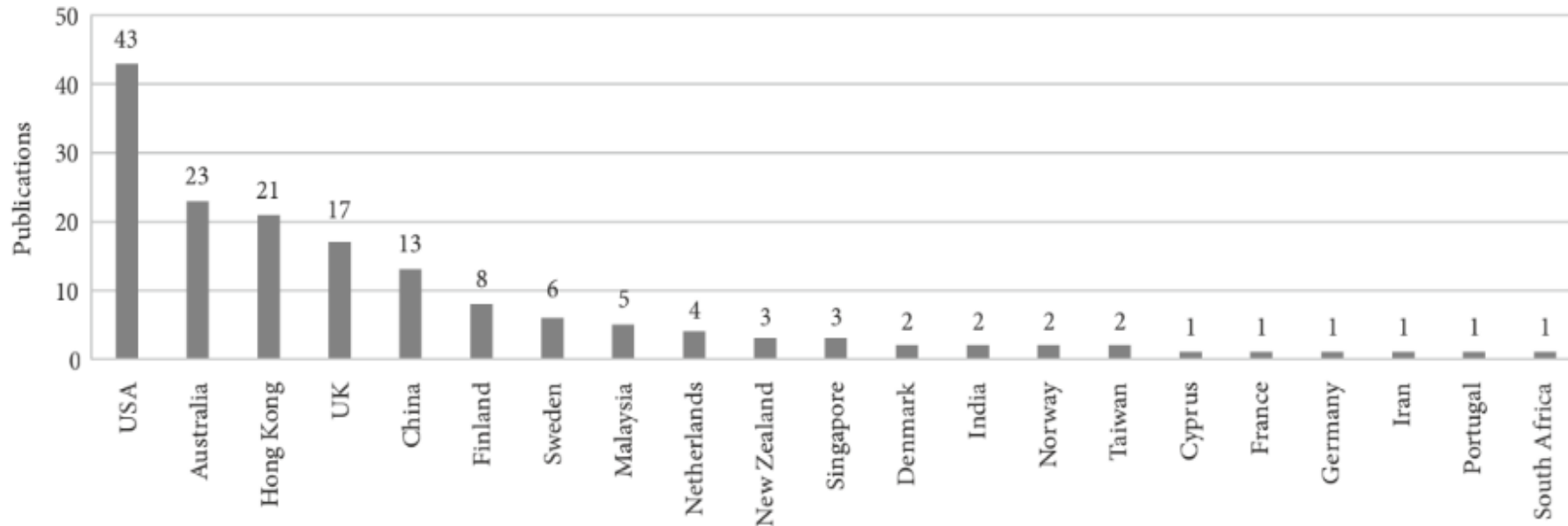
94.5% of project owners and 97.3% of project participants believed that their alliance met or exceeded their requirements (aggregated)
 Dept. of Treasury and Finance, Vic, Australia (2009)

Partnering Success

83.1% respondents believed that their partnering project met or exceeded their requirements (aggregated)
 Chan, Chan & Ho (2003)

Performance indicator	Percentage of partnering success
Time performance	73.3% of projects were on-schedule or ahead of schedule
Cost performance	82.9% of projects were on-budget or under budget
Disputes occurrence	86.7% of projects had ≤ number of disputes than an average project
Claims occurrence	86.8% of projects had ≤ number of claims than an average project
Satisfaction with quality	90.9% of participants were moderately to highly satisfied with the quality
Satisfaction with working relationship	78.2% of participants strongly agreed that they were happy with the working relationship

Research Rationale and Questions



Developed Country Dominance

75.5% of CC studies stem from USA, Australia, Hong Kong, UK and China

Geographical distribution of studies related to collaborative contracting (Engebø et al., 2020)

❖ Limitations of TC and Proven Success of CC

❖ Increased Global Adoption of CC

❖ SA Lagging in the Adoption of CC

- What are the current barriers that are hindering the adoption of CC in SA?
- What initiatives should be taken to enhance the implementation of CC in SA?

Research Methodology

❖ Exploratory Research

❖ Semi-Structured Interviews

- 12 senior/executive construction professionals
- >15 years experience
- MS Teams

❖ Primary interview questions:

- What is your understanding of CC?
- To what extent are you familiar with CC?
- What is the prevalence of CC in SA?
- What are the main barriers to implementing CC?
- What can be done to enhance the adoption of CC?



	Title	Representing	Sector
A	Senior Project Manager	Client/Contractor	Mechanical, Industrial
B	Chief Executive Officer	Contractor	Building, Civils
C	Business Development Exec.	Contractor	Building, Civils
D	Senior Procurement Manager	Client/Contractor	Mechanical, Industrial
E	Business Executive	Client	Mechanical, Industrial
F	Chief Executive Officer	Contractor	Mechanical, Industrial
G	Director	Client/ Prof. Team	Mechanical, Industrial
H	Executive Project Director	Client/Contractor	Mechanical, Industrial
I	Vice President – Commercial	Client	Mechanical, Industrial
J	Regional Contract Manager	Client/Contractor	Mechanical, Industrial
K	Director	Contractor	Building, Civils
L	Founder – Managing Director	Client/ Prof. Team	Building, Civils, Mechanical

Data Analysis



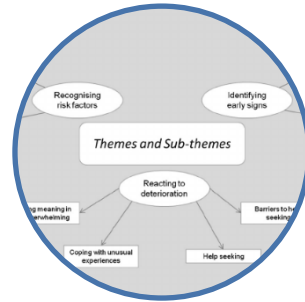
Interviews transcribed



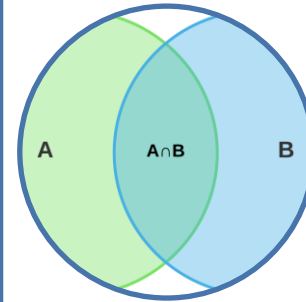
Primary categorisation via open coding and Atlas.TI



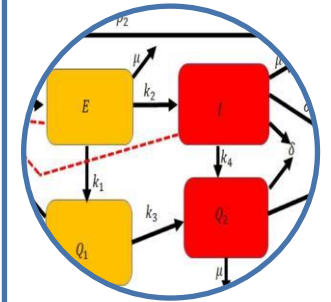
Refinement of codes into subcategories



Emergence of themes and sub-themes



Analysis against existing literature



Proposed model of findings



Results

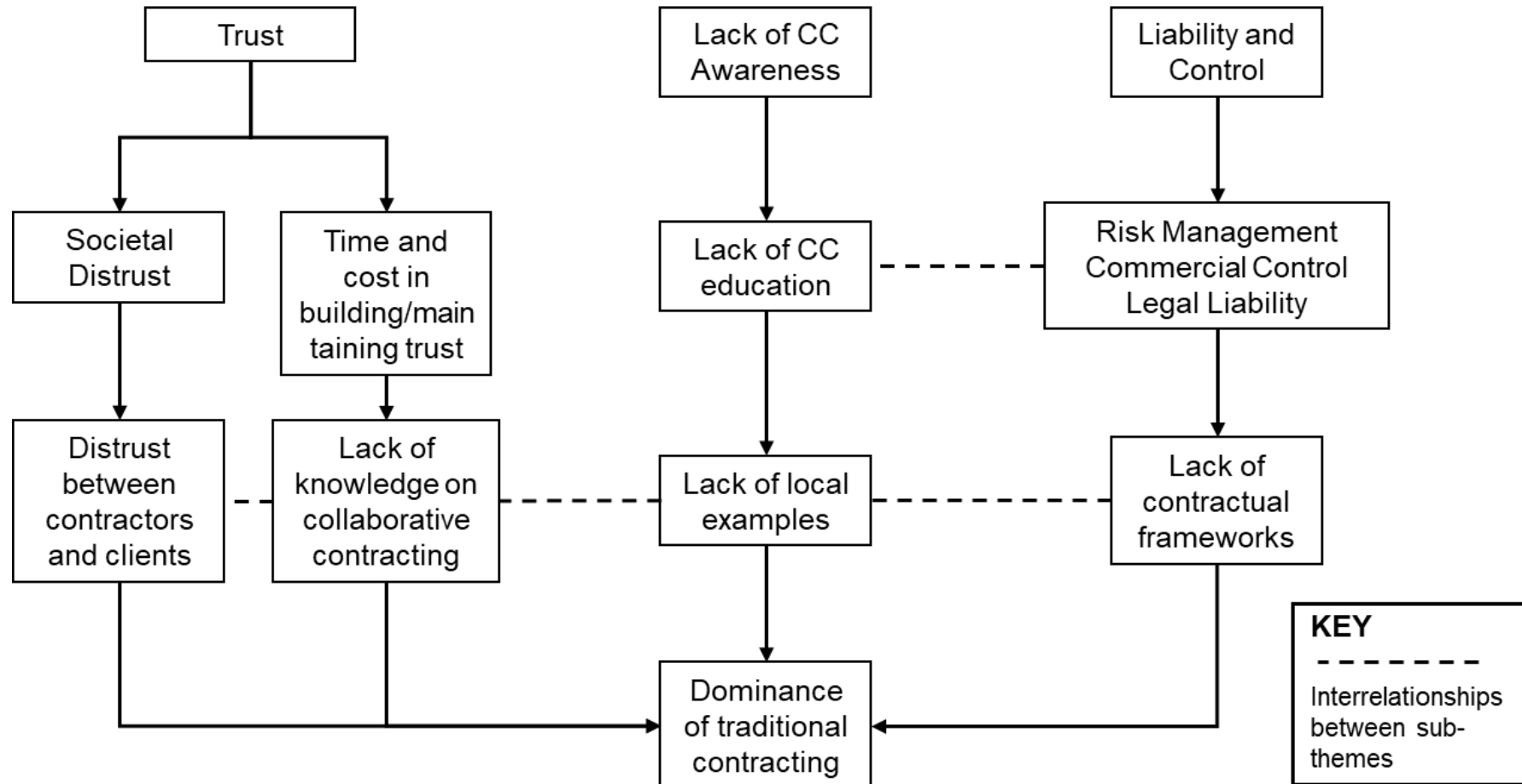
	Themes	Sub-Themes
1	Trust	Societal distrust
2		Distrust between clients and contractor
3		Time/cost in building/maintaining trust and relationship
4	Awareness & Knowledge of CC	Lack of education
5		Lack of contractual frameworks
6		Lack of local examples of successful projects
7		Dominance of TC frameworks
8	Liability and Control	Risk management
9		Commercial control
10		Legal liability

Comparison of Results to Literature

	Themes	Sub-Themes	Mollaoglu et al. (2015)	Yap and Lim (2023)	Ey et al. (2014)	Zuo et al. (2003) Ling et al. (2014)	Ingirige & Sexton (2006)	Chan et al. (2003)
			USA	Malaysia	Australia	China	UK	Hong Kong
1	Trust	Societal distrust						
2		Distrust between clients and contractor	✓	✓	✓	✓	•	•
3		Time/cost in building/maintaining trust and relationship	•	•	✓	✓	•	✓
4	Awareness & Knowledge of CC	Lack of education	✓	✓	•	✓	✓	✓
5		Lack of contractual frameworks	•	•	•	✓	•	•
6		Lack of local examples of successful projects	•	•	•	•	•	•
7		Dominance of TC frameworks	✓	✓	✓	✓	•	•
8	Liability and Control	Risk management	✓	•	•	•	•	✓
9		Commercial control	•	•	✓	•	✓	✓
10		Legal liability	•	•	•	✓	•	✓

Key: Additions to the Body of Knowledge

Model of Barriers



Actions to Improve Adoption of CC

- ❖ **Industry-wide CC training**
 - CIDB, SACPCMP, CASA
- ❖ **Inclusion of CC to university curricula**
- ❖ **Establishing a suitable and feasible standard contract for CC in SA**
 - JBCC
- ❖ **Pilot Projects for CC**
 - SA government

Recommendation for Further Study

- ❖ Extension of Study to Public Sector
- ❖ Quantitative Study
- ❖ Investigation into the Interrelationships Between Barriers

QUESTIONS?